

**Metropolitan Transportation Commission
Programming and Allocations Committee**

February 14, 2024

Agenda Item 3a - 24-0136

MTC Resolution No. 4629. FY 2024-25 MTC Fund Estimate

Subject:

Annual Fund Estimate and proposed apportionment and distribution of approximately \$1 billion in Transportation Development Act (TDA) Local Transportation Fund, State Transit Assistance (STA), State of Good Repair (SGR) Program, Assembly Bill 1107 (AB 1107), transit-related bridge toll, Low Carbon Transit Operations Program (LCTOP) funds, and Senate Bill (SB) 125 funds for transit operating assistance for FY 2024-25.

Background:

MTC is required by state statute to prepare and adopt an annual fund estimate of TDA Local Transportation Fund (LTF) ¼ cent sales tax revenues for the upcoming fiscal year by March 1st. This estimate assists the Bay Area's transit operators in budgeting for the next fiscal year, in this case FY 2024-25. The fund estimate prepared by MTC also includes several other fund sources which MTC allocates to transit operators, primarily for operations.

Economic Overview

The Bay Area economy has improved since the initial shocks caused by the Covid-19 pandemic. Unemployment rates improved in 2021 and 2022, but declined in 2023 across all counties, with four Bay Area counties tracking above the national average. Similarly, the population continues to decline both in the Bay Area and statewide, with the regional population declining at a faster rate. All these factors could impact transit operating revenues significantly. Accordingly, it is prudent for transit operators to continue to budget with great caution.

Transportation Development Act (TDA)

State law requires county auditors to submit annual estimates of the ¼-cent TDA sales tax revenue generation to MTC by February 1st. A summary of the county auditors' mid-year estimates indicate that regional TDA revenue generation is expected to decline by 4% relative to original estimates in the current year of FY 2023-24 to \$497 million, with a subsequent increase of 2.4% in FY 2023-24 to \$509 million.

Assembly Bill 1107 (AB 1107)

A portion (25%) of BART's half-cent sales tax revenue generated in Alameda, Contra Costa, and San Francisco counties is subject to allocation by MTC, and MTC staff is responsible for estimating the annual revenue generation. Based on actual performance to date along with sales tax projections from county auditor offices, staff proposes to retain the \$104 million estimate for both FY 2023-24 and FY 2024-25. This amount would be split evenly between SFMTA and AC Transit per longstanding Commission policy.

State Transit Assistance (STA)

The State Controllers Office estimates \$931 million in STA funds will be available statewide in FY 2024-25. Based on this estimate, the Bay Area would receive approximately \$340 million (\$250 million in Revenue-Based and \$90 million in Population-Based) in FY 2024-25 STA funds.

While the Fund Estimate will reflect the latest available information from the State Controller's Office (SCO) for the current year (FY 2023-24) estimates, the Governor's Proposed FY 2024-25 budget forecasts a decline in FY 2023-24 STA revenues. If the estimates in the Governor's Proposed Budget are correct, the Bay Area will see a reduction of \$34 million in STA revenues in FY 2023-24 from the most recent estimates from the SCO. Staff will return to the Commission to update the estimates following the state budget approval later this year; however, transit agencies should be aware of and prepare for the fact that current year STA revenue may be less than originally forecasted.

State of Good Repair (SGR) Program

Senate Bill (SB) 1 established the State of Good Repair (SGR) Program which will bring \$47 million to the Bay Area in FY 2024-25 for transit capital state of good repair projects. The funds from the SGR Program follow the same state-wide distribution policies as the regular STA program, with a Revenue-Based and Population-Based program.

Bridge Tolls

In April 2010, MTC Resolution No. 3948 resulted in a lump sum payment from BATA to MTC for an amount equal to the 50-year present value of AB 664, RM 1, and 2% Toll revenue. Future

payments from these toll revenues will be made from this lump sum, in accordance with Commission policies established in MTC Resolution Nos. 4015 and 4022.

Cap and Trade – Low Carbon Transit Operations Program (LCTOP)

The FY 2024-25 Fund Estimate includes details on funding that will flow to the region through the Low Carbon Transit Operations Program, which is a component of the state Cap and Trade program. In FY 2024-25, the region is projected to receive \$67 million from the program based on an estimate from Governor Newsom’s proposed FY 2024-25 State Budget. Apportionments of these funds are guided by Caltrans policies for the Revenue-Based program (which are the same as the STA Revenue-Based program) and by the MTC Commission for the Population-Based program through the MTC Cap and Trade Framework (MTC Resolution No. 4130, Revised).

Senate Bill 125 (SB 125) Transit Funding

In November 2023, the Commission adopted MTC Resolution No. 4619 which established a distribution framework for SB 125 funding, including \$171.2 million in FY 2024-25. These funds will be tracked in the MTC Fund Estimate and will be updated as funds are committed and as additional funding is made available in subsequent fiscal years.

Issues:

1. BART Feeder Bus Agreement – A 1997 agreement between BART and four East Bay bus operators (County Connection, LAVTA, Tri-Delta, and WestCAT) established a funding mechanism for BART to support feeder bus operators using BART’s STA Revenue-Based and TDA sales tax funds. Initial payment amounts were established by transition agreements, and subsequent payments over the last 25 years have been calculated based on growth of AB 1107 ½-cent sales tax revenues. BART had communicated an interest to amend the agreement before the pandemic and has recently expressed greater urgency given its looming fiscal cliff.

In advance of the FY 2023-24 Fund Estimate, BART and feeder bus operators agreed to a 15% reduction in FY 2022-23 payments, and 25% in FY 2023-24 payments. Staff recommendation is to maintain the same percentage reduction as FY2023-24, as this aligns with the assumptions that inform the SB 125 distribution framework. The precise

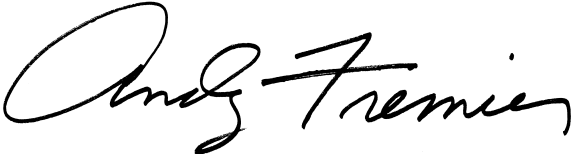
distribution of the reduced payment between the bus operators may be adjusted based on operator feedback. In subsequent years, MTC and the relevant transit agencies will need to evaluate the sustainability of feeder bus subsidy payments from BART, given the uncertainty surrounding the level of revenue that will be available to support transit operations. MTC staff will continue engagement with BART and the feeder service operators on this topic.

Recommendations:

Refer MTC Resolution No. 4629 to the Commission for approval.

Attachments:

- MTC Resolution No. 4629
- Presentation slides



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